

REPORT

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SUPPLEMENT TO
REPORT NO.

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1. The Yugoslav Government believes that United States Ambassador Allen is now the key man in the anti-Soviet policy of the United States. The Government anticipates that Allen will make an effort to have this policy felt beyond the Yugoslav borders and that he will try to widen the Tito-Cominform breach.
2. Tito will make the most of his singular political position. He will not turn completely to the West because many leaders and followers of the Yugoslav Communist Party still hope for an eventual settlement with the Soviet Union. A strong trend in this direction also exists in the Central Committee of the Yugoslav Communist Party, which believes that a reconciliation is still possible.
3. When Ambassador Kosanovic apprised the Yugoslav Government of Allen's appointment, Tito first called a meeting of Ministers and later convened the Central Committee to discuss the program to be followed with the new Ambassador. A rough copy of the plan was sent to Kosanovic for his study. Edvard Kardelj and Josip Vilfan are drawing up the final copy.
4. The salient points of the program are:
 - a. To develop commercial transactions between the United States and Yugoslavia.
 - b. To seek the acquisition of loans and backing from banks and private credit firms. The loans must carry no political clauses.
 - c. To collaborate with Allen in removing satellite countries from the orbit of the Soviet Union.
 - d. To accept eventual military aid from the United States, but to avoid any military pacts or alliance organized on an anti-Communist or anti-Soviet basis. Permission will not be granted for a United States military commission to Yugoslavia, even if that should be requested.

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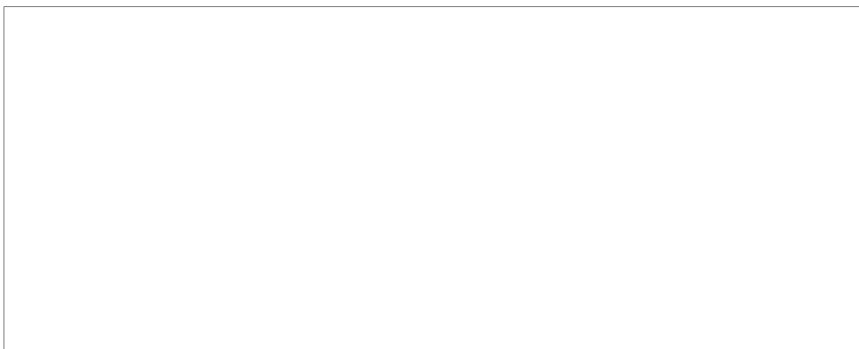
CENTRAL INTELLIGENCE AGENCY



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- e. If Allen should make the request, the Yugoslav Intelligence Service will collaborate to the extent of enhancing the Yugoslav defense against Cominform politico-military maneuvers.
- f. The Yugoslav Government would consider the possibility also upon the request of the United States Government, of establishing future Yugoslav-United States collaboration of an unspecified nature in satellite capitals.



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